CURRENT DEVELOPMENTS
PERSONAL FINANCIAL PLANNING
VERSION 107

The ***Current Developments in Personal Financial Planning*** is a series of continuing education course for Certified Financial Planners, Chartered Professional Accountants, life agents and other financial services professionals. We recommend 6 hours of continuing education credits for each offering of the Course. You should check to ensure that the Course meets the continuing education requirements of the organization for which you are acquiring continuing education credits.

Completion of the course requires reading certain chapters of the quarterly update to The Personal Financial Planner's Manual and correctly answering at least 60% of the 10 questions on a multiple-choice examination.

How to proceed

This course must be completed, and your answers submitted by December 31, 2022.

Read the following chapters and topics and make note of the amount of time that you spend reading the material. You can expect to spend at least 6 hours doing so.

Section 4 – Investment Planning
Chapter 9 – Investment & Portfolio Design

Section 7 – Retirement Planning
Chapter 3 – Canada Pension Plan
Chapter 4 – RRSPs and RRIFs
Chapter 5 – More RRSPs and RRIFs

Section 6 – Business Ownership
Chapter 5 – Taxation of Business Ownership

Note that:
- you should not look at the questions until you are ready to start answering them;
- this is an open-book examination, and you may refer to the course material;
- you do not require an invigilator, but must complete the examination without assistance from another person;
- you have only 30 minutes to answer the 10 questions;
- the minimum pass mark is 60%; and
- there are no rewrites.

Complete the examination of 10 questions within 30 minutes. Finally, complete the Response Form and email only the Response Form to Gobeil & Associates. Upon passing the examination, you will receive an email confirming your successful completion.

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RESPONSE FORM

Your answers must be submitted by December 31, 2022.

Name: ______________________________ Date: ________________________________

E-mail: _____________________________

Question	Your Answer			
1.	A	B	C	D
2.	A	B	C	D
3.	A	B	C	D
4.	A	B	C	D
5.	A	B	C	D
6.	A	B	C	D
7.	A	B	C	D
8.	A	B	C	D
9.	A	B	C	D
10.	A	B	C	D

Examination agreement - I spent at least 6 hours reading the course material. I personally completed the examination in 30 minutes without assistance from another person. As permitted, I may have referred to the material.

Signature: ____

Scan only this page and email it to info@gobeil.ca

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1. Kyle, a self-employed computer programmer, expects to have business income of \$68,800. For 2022, the ***year's maximum pensionable earnings (YMPE)*** is \$64,900, and the ***year's basic exemption (YBE) is*** \$3,500. For 2022, the ***employee's contribution rate to the Base CPP Pension*** is 4.95% and ***to the First Additional CPP Pension*** is 0.75%.

   What is the amount that Kyle should expect to contribute to the Canada Pension Plan?

   (A) \$3,499.80

   (B) \$3,399.30

   (C) \$6,999.60

   (D) \$7,398.60

2. A client of yours, Jordan Chen, has asked you what impact the Canada Pension Plan Enhancement will have upon his contributions, income taxes and retirement benefits. Jordan is a CPA working in a Canadian bank and expects to remain an employee of the bank for his entire career. Jordan is 28 years of age and has a taxable employment benefit of \$82,700.

   What would you advise your client to expect over the next few years as they implement the Canada Pension Plan Enhancement?

   1. His contributions to the enhanced portion of the CPP would be deductible for income tax purposes, rather than eligible for a tax credit.

   2. He can expect his CPP contribution rate for earnings up to the YMPE to be 4.95%.

   3. He can expect his CPP contribution rate for earnings above the YMPE to be 4%.

   4. He can expect that his retirement benefit at 65 years of age will be one-third of 114% of the YMPE.

   (A) 1 and 3
   (B) 1 and 4
   (C) 2 and 3
   (D) 2 and 4

3. Yako contributed 2,000 shares that are listed on the TSX to his self-directed RRSP. He has owned the shares for 12 years.

   The amount of Yako's RRSP contribution is:

   (A) his adjusted cost base of the shares.

   (B) the fair market value of the shares at the time of contribution, minus his adjusted cost base.

   (C) the fair market value of the shares at the time of contribution.

   (D) the fair market value of the shares at the time of contribution, plus any costs associated with the transfer.

4. Michel works with Less Taxing Inc. as an income tax specialist. His duties primarily involve helping individuals fill out their tax returns in a booth at the local mall. On his first day, he encountered the most difficult tax situation that he could ever imagine. Jonah and his wife, Renata, have income from a wide variety of sources. Renata is a non-resident. Michel does not know which sources of income qualify as earned income for RRSP purposes.

   Which of the following incomes qualifies as earned income?

   1. The dividends that Jonah earned on his shares in a taxable Canadian corporation

   2. Renata's Canadian-source employment income

   3. The postdoctoral fellowship income that Jonah received after attending graduate school

   4. The business income that Renata earned as a limited partner of a Canadian partnership

   (A) 1 and 2
   (B) 1 and 4
   (C) 2 and 3
   (D) 3 and 4

5. It is January 1. Molly McGuire could borrow $13,500 for her RRSP contribution at 6% monthly amortized over 12 monthly payments or Molly could contribute $1,125 at the end of each month. Molly expects to earn 8% monthly on her RRSP.

   If Molly took the RRSP loan, how much more would she expect to have in her RRSP on December 31?

   (A) $602

   (B) $608

   (C) $614

   (D) $622

6. In the last 2 years, all of the following clients have contributed to spousal RRSPs.

   Who would be subject to income tax on her husband's withdrawal from the spousal RRSP?

   (A) Selma, whose husband left her for another woman and withdrew the funds in the spousal RRSP

   (B) Irena, whose husband withdrew the funds in the spousal RRSP after they moved out of the country

   (C) Sophia, whose husband withdrew the money in order to purchase an eligible annuity that he cannot commute for 3 years

   (D) Patty, whose husband needed the money to finish his vacation

7. James Singh, a client of yours, has decided to liquidate his mutual fund portfolio and invest in individual stocks. He is willing to increase his risk exposure. James wants to construct a diversified portfolio of common shares of Canadian and American companies.

James can construct a diversified portfolio:

(A) by including 10 to 15 stocks from the main industries in Canada.

(B) that eliminates systematic risk.

(C) that eliminates unsystematic risk.

(D) that eliminates exchange rate risk.

8. Jojoba has a choice between three different stocks. Over the last five years, stock A had a standard deviation of 1.5 and its return has averaged 6%; stock B had a standard deviation of 1 and its return has averaged 7%; and stock C had a standard deviation of 8 and it return has averaged 21%. Stocks A and B are also negatively correlated. Jojoba has a minimum acceptable return (MAR) of 10% and is a believer in the Post-Modern Portfolio Theory (PMPT).

In choosing her investments, what should Jojoba consider?

(A) Stock A would be the most appropriate investment because it offers a more stable return than stock B or stock C.

(B) Stock B would be the most appropriate investment because it offers a return closest to Jojoba's MAR.

(C) Stock C would be the most appropriate investment because it offers the highest probability of meeting Jojoba's MAR.

(D) Stocks A and B would be the most appropriate investment because they are negatively correlated.

9. On January 30 of this year, Margaret sold her shares in a family-run, small business corporation. The shares had an adjusted cost base (ACB) of $175,000 and had appreciated in value by $1,063,630. Margaret has never used the lifetime capital gains exemption and has an effective tax rate of 40%. Margaret had a cumulative net investment loss of $32,000. The shares are eligible property for the lifetime capital gains exemption.
For 2022, the ***maximum amount of capital gains arising from the disposition of qualified small business corporation shares eligible for the Lifetime Capital Gains Exemption (LCGE)*** is $913,630 and the ***LCGE limit*** is $456,815 and they are indexed annually to the Consumer Price Index.

   What is the amount of Margaret's liability for income tax?

   (A) $10,000
   (B) $20,000
   (C) $30,000
   (D) $40,000

10. Your client, George Rouge, owns all of the common shares of Red Inc., an operating company that provides services to the pipeline industry. The corporation has retained earnings of $27 million of which $12 million is surplus to the corporation's needs. George's adjusted cost base (ACB) for the shares is $5 million. He has a wife and four adult children, none of whom are actively involved in the business. George is turning 60 years of age and has built a transition team so he will be able to reduce his involvement in the day-to-day operations of the business. However, he expects that it will take several years to find a buyer for the business at its fair market value. He has decided to execute an estate freeze. Of course, he is aware of the Tax on Split Income (TOSI) rules that limit the opportunity to pay dividends at other than the top income tax rate.

    To effect an estate freeze, what should George do?

    (A) Sell the shares at fair market value to his heirs

    (B) Transfer the shares to a testamentary trust

    (C) Create a new holding company, using a section 85 rollover, and issue common shares to his heirs

    (D) Reorganize the share structure of Red Inc. and issue common shares to his heirs

